

# SENATE BILL REPORT

## SB 5130

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As of February 7, 2019

**Title:** An act relating to increasing transportation revenues to help fund state fish barrier removal.

**Brief Description:** Increasing transportation revenues to help fund state fish barrier removal.

**Sponsors:** Senators Rolfes and Saldaña; by request of Office of Financial Management.

**Brief History:**

**Committee Activity:** Ways & Means: 1/16/19, 1/22/19 [w/oRec-TRAN, w/oRec].  
Transportation: 2/06/19.

**Brief Summary of Bill**

- Imposes a graduated real estate excise tax beginning July 1, 2019.
- Moves up the effective date of certain vehicle weight fees.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That it be referred without recommendation and be referred to Committee on Transportation.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Bailey, Becker, Billig, Conway, Darneille, Hasegawa, Hunt, Keiser, Liias, Pedersen, Van De Wege, Wagoner, Warnick and Wilson, L..

**Minority Report:** That it be referred without recommendation.

Signed by Senator Schoesler.

**Staff:** Alia Kennedy (786-7405)

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### SENATE COMMITTEE ON TRANSPORTATION

**Staff:** Bryon Moore (786-7726)

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Background: Real Estate Excise Tax.** The sale of real estate is subject to the real estate excise tax (REET). The tax base is the selling price of the real estate, without any deduction for mortgages, liens or other debts. The tax is typically paid by the seller. A transfer of controlling interests in entities that own property in Washington is also subject to REET.

The state REET rate is a flat 1.28 percent. The revenue is distributed, through June 30, 2023, as follows:

- 2 percent to the Public Works Assistance Account;
- 4.1 percent to the Education Legacy Trust Account;
- 1.6 percent to the City/County Assistance Fund, and
- the remainder to the state general fund.

After June 30, 2023, distributions to the Education Legacy Trust Account cease and distributions to the Public Works Assistance Account increase to 6.1 percent.

Any penalties assessed for delinquent tax payments are deposited into the Housing Trust Fund. In addition, counties retain 1.3 percent of the state tax collected to cover administrative costs.

Local governments may also impose a REET. Cities and counties are authorized to impose a 0.25 percent REET to finance capital improvements or capital projects specified in a comprehensive plan. A city and county may also impose a 0.5 percent REET for general purposes, so long as the city or county does not impose the optional 0.5 percent retail sales tax. In addition, a county may impose a 1 percent REET to finance the acquisition and maintenance of conservation areas, and 0.5 percent to finance the acquisition, construction, and operation of affordable housing for low to moderate income persons, or persons with special needs.

Vehicle Weight Fees. Motor vehicles used on public highways must generally be registered annually with the Department of Licensing. Most vehicles, such as passenger cars, motorcycles, vans, and cabs, are subject to:

- a \$30 license tab fee;
- a weight fee of \$25-72 based on the scale weight of the vehicle; and
- other fees totaling \$8.75.

The proceeds from vehicle weight fees are deposited in the Multimodal Transportation Account. Funds in the account are used for transportation purposes, which is broader than highway purposes and can include public transportation and rail.

Beginning July 1, 2022, an additional \$10 weight fee is added and will be deposited into the Multimodal Transportation Fund, unless prior to July 1, 2023, a clean fuel standard policy is initiated or adopted by rule, in which case the weight fee is deposited into the Connecting Washington Account.

License Fee by Weight. In lieu of the vehicle license fee and weight fees, trucks, buses, and for-hire vehicles are subject to a license fee based on gross vehicle weight. The license fee by weight ranges from \$53 for a 4000-pound vehicle to \$3,400 for a 105,000-pound vehicle. Proceeds from the license fee by weight are deposited into various accounts within the Motor

Vehicle Fund. A freight project fee of 15 percent of the license fee by weight applies to vehicles that have a gross vehicle weight of more than 10,000 pounds. Proceeds from the fee are deposited in the Connecting Washington Account.

Beginning July 1, 2022, an additional \$10 fee is added on vehicles with a gross vehicle weight of less than or equal to 12,000, which is distributed to various accounts within the Motor Vehicle Fund, consistent with the distributing of other license fees by weight.

**Summary of Bill:** Beginning July 1, 2019, the REET is imposed on the sale price of real property at the following rates:

- 0.75 percent if the selling price is less than \$250,000;
- 1.28 percent if the selling price is equal to or greater than \$250,000 but less than \$1 million;
- 2 percent if the selling price is equal to or greater than \$1 million but less than \$5 million; or
- 2.5 percent if the selling price is equal to or greater than \$5 million.

The motor vehicle fund must receive 16.70 percent of REET revenue receipts.

The effective dates of the additional \$10 motor vehicle weight and license by weight fees are changed to August 1, 2019, rather than July 1, 2022.

The tax preference performance requirements do not apply to this act.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains several effective dates. Please refer to the bill.

**Staff Summary of Public Testimony (Ways & Means):** PRO: Additional revenue generated from the graduated real estate excise tax would be used to fund fish barrier removal efforts. A graduated real estate excise tax is a step toward a more progressive tax structure. The legislation would put the tax burden on those who can afford it most.

CON: The graduated real estate excise tax negatively impacts small businesses. The bill takes money away from retirement plans. The committee should consider an exemption for retired individuals.

OTHER: The bill is a step in the right direction but more information is needed on a fish barrier removal plan before raising taxes. The bill falls short in addressing this multi-jurisdictional issue associated with the culverts issue.

**Persons Testifying (Ways & Means):** PRO: Scott Merriman, Office of Financial Management.

CON: James King, Independent Business Association; John Ehrenreich, Washington Forest Protection Association.

OTHER: Jane Wall, Washington State Association of Counties; Clay Hill, Association of Washington Business; Carl Schroeder, Association of Washington Cities.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.

**Staff Summary of Public Testimony (Transportation):** PRO: This is interesting idea to preserve the historical transportation related revenue sources and still provide the needed funding to address the fish passage issues at the state level. We recognize that this does not meet all the needs of our local partners in addressing the needs for fish passage, we will need to make a coordinated strategy.

CON: This will have a large impact on small business owners. The majority of this additional tax falls on commercial property and will stymie economic growth. This disproportionately impacts commercial property owners and it undermines tax equity. Washington already has one of the highest REETs and this increase comes on the heels of recent property tax increases. This increase will reduce the affordable housing units in the state and negatively impact renters. This will also reduce the available resources of the operating budget. This potentially violates the uniformity principles of the tax system, at least in principle. A more comprehensive strategy is needed that includes counties and cities. The forestry industry has made a substantial investment in fish passages and charging the industry more now is not fair. With respect to the weight fee increases, this goes back on the commitments that were made as part of the Connecting Washington transportation package.

**Persons Testifying (Transportation):** PRO: Scott Merriman, Office of Financial Management.

CON: Greg Hanon, NAIOP; Carl Schroeder, Association of Washington Cities; Clay Hill, Association of Washington Business; John Ehrenreich, WFPA.

OTHER: James King, Independent Business Association.

**Persons Signed In To Testify But Not Testifying (Transportation):** No one.